

[For Immediate Release]



## Sun Art Retail Group Limited Announces Interim Results Ended 30 September 2024

(12 November 2024 - Hong Kong) Sun Art Retail Group Limited (“Sun Art” or the “Group”, HKEX stock code: 6808), today announced its interim results for the six months ended 30 September 2024.

Mr. Peter HUANG, Chairman of the Group commented, “After half-year of restoration and adjustment, Sun Art Retail has gradually gotten on the right track. Customers are aware that the prices are lower, and employees’ morale has been boosted. The Group is gradually returning to organic growth. Sun Art Retail’s business performance in the first half of the fiscal year has set a positive tone for the new fiscal year, we are confident and optimistic about our future performance.”

Mr. Hui SHEN, Chief Executive Officer of the Group commented, “Product and pricing are the foundations of a retail business. Our goal is to become the leader of the business district. Our mission is to save every penny for our customers. We actively uphold our values of caring colleagues, serving customers and striving for excellence. We aim to provide customers with a fresh, convenient, comfortable and affordable shopping environment, while working diligently to achieve the business goals of this fiscal year.”

### Financial Highlights

#### **Interim results for the six months ended 30 September 2024:**

- The **revenue** was RMB34,708 million, representing a decrease of 3.0% over the same period. The decline in revenue was mainly affected by the scaling down of supply chain business and sales losses from store closures, accounting for approximately 2.5% and 1.1% respectively.
- The **rental income** was RMB1,508 million, representing a decrease of RMB35 million over the same period of the last fiscal year, mainly due to the reduction of gallery areas resulting from the store closures during the last fiscal year and adjustment of partial tenant mix.

- The **same store sales**<sup>Note1</sup> growth rate ("SSSG") was 0.3%. The growth of same store sales was mainly came from the increase in ticket size. The low-price strategy and product strategy enhanced user's mentality, driving an increase in average purchase pieces per order and enhancing user loyalty. The offline revenue was gradually recovering and stabilizing, with new online channels and own APP becoming key drivers of the SSSG.
- The **gross profit** was RMB8,526 million, representing a decrease of RMB363 million over the same period. The gross margin was 24.6%. The Group accelerated investments and implemented a low-price strategy to encourage customers gradually return and business performance continued to improve. Moving forward, the Group will focus on revenue growth to drive sustained gross profit growth.
- The **expenses** was RMB8,526 million, representing a decrease of RMB1,090 million over the same period. The Group reviewed all expenses and headquarter expenses comprehensively, and has significantly reduced the expenses by optimizing the personnel structure and pattern of stores, improving investment efficiency of marketing expenses, intensifying negotiation to reduce rental cost and streamlining the headquarter organization.
- The **operating profit** was RMB621 million, representing an increase of RMB602 million over the same period of last fiscal year. Without taking into account the impact of impairment losses, the operating profit increased by RMB461 million over the same period of the last fiscal year.
- The **profit after tax** was RMB186 million, representing an increase of RMB564 million over the same period of last fiscal year, achieving a turnaround.
- The **net cash outflow from operating activities** was RMB641 million. The decrease was mainly due to an increase of restricted deposits of RMB2,918 million related to the unutilised prepaid cards balances. Without taking into account the impact of restricted deposits, the net cash inflow from operating activities was approximately RMB2,277 million.
- Inventories were substantially optimized with **inventory turnover days** of 54 days, representing a decrease of 4 days over the same period of last fiscal year. **Net cash** was approximately RMB14,635 million. The **restricted deposits** was approximately RMB7,663 million.

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Note1: Same store sales does not include sales from supply chain business. Supply chain business includes Taocaicai and Tmall inventory sharing business.

## Business Performance

### Return to price competitiveness and product power

The Group has actively reshaped its price competitiveness, and accelerated the adjustment of product selection with different price quartiles, and strengthening bastion products. The Group recently launched the "Super Saver" series (「超省」系列). It was developed specifically by the private label team to meet customers' needs while benchmarking competitors' lowest-priced products in each category. In addition, the Group also introduced more than 1,100 SKUs across several series such as "Must-Buy" (「必買」系列), "Bonus Pack" (「加量不加價」系列), and "Every Day Low Price" (「天天便宜」系列) to establish a reputation for low prices and shape customer pricing perceptions. The Group also focused on developing more series of products with sales exceeding one hundred million.

The Group focused on offline traffic growth. With the Group's steady implementation of its low-price and product strategies in the first half of the fiscal year contributed to the gradually stabilised offline traffic of comparable stores, stable ticket size, and a slight increase in average number of items purchased per order.

Through continuous optimisation of product structure and improvements in price competitiveness within its B2C online business, the increase in average number of items purchased per order led to a high-single-digit growth in ticket size. The Group also actively developed new online channels, achieving a mid-single-digit growth in the same store sales of B2C online business during the first half of the fiscal year.

### RT-Super

During the reporting period, RT-Super ("Superstore") operated 30 stores across Shanghai, Jiangsu, Anhui, Zhejiang, Shandong, Jilin, Hubei, Gansu, Sichuan, and Guangdong. Leveraging product resources and improving operational standardisation in hypermarkets, the performance of superstores significantly improved, resulting in a mid-to-high-single-digit SSSG and the feasible business model.

RT-Super utilised the supply chain resources of hypermarkets and selected products from their product pool, with SKUs ranging from 5,000 to approximately 8,000 to cover RT-Super sales areas from 1,500 square meters to over 3,000 square meters respectively. RT-Super introduced a series of products such as "Super Saver", "Every Day Low Price", "Bonus Pack" and "Must-Buy" offering more than a thousand long-term low-price products. Additionally, RT-Super actively developed "Community Canteen" to provide affordable fast food for community residents, which has become a key business feature.

RT-Super has adopted ultimate efficiency as its core strategy and has achieved standardisation in store expansion, products, labor and operation. RT-Super will become a significant driving force for the Group's future expansion, and presents an opportunity for the Group to return to top-tier cities. Its proactive and rapid expansion will serve as the second growth curve for Sun Art Retail.

## **M-Club**

During the reporting period, the Group has opened six membership stores in Yangzhou, Changzhou, Nanjing, Changshu, Jiaxing and Wuxi. The Jiangyin store is also opened in November 2024. The total number of M-Club members has exceeded 360,000.

M-Club offers over 4,000 SKUs from nearly 30 countries and regions, launching more than 200 new products each month. The private label products contributed over 30% of total sales. M-Club has recently launched "Global Buy" service, covering approximately 600 SKUs in categories such as beauty and skincare, personal care, baby care, and health supplements. Members can place orders online with shipments dispatch directly from cross-border warehouses to all regions of the country. M-Club also provided home delivery service with the fastest delivery within one hour. There remains potential for increasing the proportion of online orders. Half-day delivery is now available in Yangzhou and Changzhou. M-Club always adheres to "Member Value Comes First", and endeavors to become a membership store that better understands Chinese consumers.

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## **About Sun Art Retail Group Limited**

Sun Art is a leading retailer with hypermarket and omni-channel e-commerce businesses in China. Sun Art operates its business with hypermarkets, superstores and membership stores under RT-Mart, RT-Super and M-Club. As of 30 September 2024, Sun Art had a total of 466 hypermarkets, 30 superstores and six membership stores in China with a total gross floor area (“GFA”) of approximately 13.49 million square meters, covering 206 cities across 29 provinces, autonomous regions and municipalities. The Group has always been committed to high quality-to-price ratio and the customer value of health and pleasure by providing high-quality shopping experience for customers with fresh and inexpensive commodities, comfortable and convenient environment, as well as lump-sum buying. The Group aims to become life service centers, a good neighbor of communities and a trustworthy shopping representative of customers.

As of 30 September 2024, Taobao China Holding Limited (“Taobao China”) directly or indirectly holds 78.70% of the issued share capital of Sun Art Retail Group Limited (the “Group”) and therefore has become the ultimate controlling shareholder of the Group.

Sun Art has integrated online and offline professional capabilities, explored new retail development opportunities in China's retail industry, so as to become a leader in digital transformation of physical retail and a benchmarking enterprise for New Retail.

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